



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 21st day of March, 1996

Served March 27, 1996

Essential Air Service At

**CHATHAM, ALASKA
FUNTER BAY, ALASKA**

Docket 46478

under 49 U.S.C. 41731 *et seq.*

**ORDER FINALIZING TENTATIVE FINDINGS
SELECTING CARRIER AND SETTING RATE**

Summary

By this order we are finalizing our tentative findings and conclusions in Order 95-12-11 reselecting Ward Air to provide subsidized essential air service at Chatham and Funter Bay, Alaska, for the two-year period beginning December 1, 1995, at an annual rate of \$9,187.

Background

By Order 94-2-3, the Department selected Ward Air to provide essential air service at Chatham and Funter Bay, Alaska. The subsidy rate of \$7,259 established by that order expired November 30, 1995.

Under our normal procedures when nearing the end of a rate term, we contact the incumbent carrier to determine whether it is interested in continuing service. If the incumbent carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. In response to our inquiry Ward Air indicated a continued interest in serving Chatham and Funter Bay and submitted and negotiated a two-year renewal proposal. The Department subsequently issued Order 95-12-11, an order to show cause tentatively reselecting Ward Air and setting an annual subsidy rate of \$9,187.

Carrier Service Proposal

In response to our tentative selection of Ward Air we received a counter proposal from Wings of Alaska, Inc. to serve Chatham and Funter Bay. We conducted an informal rate conference with Wings of Alaska while Ward Air elected not to renegotiate its original proposal. Both carriers propose to continue operating the historical service patterns at the two communities of one round trip per week in the Funter Bay-Juneau market and one round trip per month in the Chatham-Juneau market. Both carriers would use single-engine aircraft, and both have also indicated a willingness to use larger deHavilland Beaver aircraft when weather conditions warrant. Under both proposals the once-a-week Funter Bay service would operate nonstop to Juneau and return. Chatham's one flight a month would operate over a Juneau-Funter Bay-Chatham-Funter Bay-Juneau routing.

Ward Air, Inc. would use Cessna 185 aircraft for an annual subsidy requirement of \$9,187.

Wings of Alaska, Inc. would use Cessna 206 aircraft for an annual subsidy requirement of \$7,642.

Civic Comment

We have received a number of comments from residents of the Funter Bay community. The community strongly favors the continuation of service by Ward Air and urges the Department to finalize its tentative selection of Ward Air. They note that Ward Air has provided them a sustained level of high quality air service and its personnel are courteous and often go out of their way to be helpful. The fact that Ward Air operates from its own hangar at Juneau affords the community some advantages in that the facilities allow direct loading and unloading between vehicle and plane. In addition, Ward Air offers storage for dry, refrigerated or frozen supplies if a flight is delayed for unanticipated reasons. The civic parties also state that, while Wings of Alaska has indicated its intention of using the larger Beaver aircraft in foul weather, Ward Air has a proven track record over many years of using the Beaver in inclement weather and when demand warrants.

In addition, the Funter Bay community states that Ward Air, because of its small size, is more flexible in reacting to sudden changes in the weather common to the region and thus will continue to be more responsive to the community's service needs. Chatham did not express a carrier preference.

In addition, we have contacted the State of Alaska Department of Transportation and Public Facilities advising that agency of the results of our negotiations with the carriers and seeking their comments. The State suggested that the selection of Wings of Alaska would have the advantage of more capacity and less subsidy, but acknowledged the community's strong expression of support for Ward Air.

Carrier Selection

We have carefully reviewed the service proposals negotiated with each applicant as well as the comments of the concerned state and civic parties in this matter. Based on our evaluation of this record we have decided to make final our earlier tentative findings selecting Ward Air to continue providing subsidized essential air service at Chatham and Funter Bay.

Both carriers are operated by competent personnel experienced in conducting small aircraft operations in coastal Alaska. Each carrier's service proposal meets the communities' essential air service definitions and both would employ similar aircraft in providing the service. The Wings proposal is based on service with Cessna 206 equipment with five-passenger summer capacity and four-passenger winter capacity. The Ward Air proposal is based on service with three-seat Cessna 185 equipment. As noted above, both carriers have indicated that when weather conditions or market demand warrant, larger, more expensive equipment is available and would be used to provide service with the additional cost born by the carrier.

The only critical difference between the two applicants is the Funter Bay community's strong and unequivocal preference for Ward Air. Although the Ward Air proposal involves slightly more annual subsidy (\$9,187) when compared to the Wings of Alaska proposal (\$7,642), in

absolute terms the difference is minor and does not compel an action to replace a reliable incumbent carrier that is emphatically supported by the community.

This order is issued under authority delegated in 49 CFR 1.56(i).

ACCORDINGLY,

1. The Department makes final the tentative findings and conclusions contained in Order 95-12-11, and reselects Ward Air to provide essential air service at Chatham and Funter Bay, Alaska effective for the period December 1, 1995, through November 30, 1997; and

2. The Department will serve a copy of this order on the civic officials of Chatham and Funter Bay, Alaska, the Governor of Alaska, the Alaska Department of Transportation and Public Facilities, Ward Air, Inc. and Wings of Alaska, Inc.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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